

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* HOWELL CARNEGIE DISTRICT LIBRARY	County* LIVINGSTON	Type* LIBRARY	MuniCode* 47-8-003
Opinion Date-Use Calendar* Sep 5, 2008	Audit Submitted-Use Calendar* Nov 5, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 1,970,966.00
General Fund Expenditure:	? \$ 1,785,449.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 1,769,649.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 192,114.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GREGORY D.	Last Name* CLUM	Tan Digit License Number* 0110104127		
CPA Street Address* 109 W. CLINTON ST.	City* HOWELL	State* MI	Zip Code* 48843	Telephone* +1 (517) 546-2130
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HOWELL CARNEGIE
DISTRICT LIBRARY

FINANCIAL REPORT
June 30, 2008

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BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

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MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA

INDEPENDENT AUDITORS' REPORT

To the Howell Carnegie
District Library Board
Howell, Michigan

We have audited the accompanying financial statements of the Howell Carnegie District Library as of and for the year ended June 30, 2008, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Howell Carnegie District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Howell Carnegie District Library, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparisons of the General Fund and the Contribution and Memorials Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Howell Carnegie
District Library Board
Page 2

The management's discussion and analysis, budgetary comparison information, and the Defined Benefit Pension Plan Trust information on pages 3 through 8 and 25 through 27 are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howell Carnegie District Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brebernt, Wagner & Co., P.C.

Howell, Michigan
September 5, 2008

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first five columns of the balance sheet/statement of net assets and the statement of revenue, expenditures, and changes in fund balances/statement of activities include information on the Library's General Fund, Contributions and Memorials Fund, Debt Service Fund, Capital Projects Fund, and the Endowment Fund under the modified accrual method. The modified accrual method basis focuses on the current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.
- The last column provides both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This column tells how these services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Current assets	\$2,545,168	2,467,408
Capital assets	5,016,142	5,036,377
Total assets	<u>7,561,310</u>	<u>7,503,785</u>
Current liabilities	131,449	104,928
Long-term liabilities	192,114	202,555
Total liabilities	<u>323,563</u>	<u>307,483</u>
Net assets:		
Invested in capital assets, net of debt	5,016,142	5,036,377
Restricted	249,895	243,451
Unrestricted	1,971,710	1,916,174
Total net assets	<u>\$7,237,747</u>	<u>7,196,302</u>
Revenue:		
Property taxes	\$1,665,785	1,593,904
Other	382,040	405,607
Total revenue	<u>2,047,825</u>	<u>1,999,511</u>
Expenses	<u>2,006,380</u>	<u>1,909,876</u>
Change in net assets	<u>\$ 41,445</u>	<u>89,635</u>

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

The Library as a Whole

- The Library reports net assets of \$7,237,747 and \$7,196,302 on a full accrual basis, as compared to \$2,413,719 and \$2,362,480 on the modified accrual basis of accounting, for the years ended June 30, 2008 and 2007, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$1,665,785 and \$1,593,904 representing 81.3% and 79.7% of total revenue for the years ended June 30, 2008 and 2007, respectively.
- Salaries and fringe benefits are the largest overall expenditure of the Library. This expenditure was \$1,145,231 and \$1,084,454, representing 57.1% and 56.8% of the Library's total expenditures for the years ended June 30, 2008 and 2007, respectively.
- Depreciation expense of \$380,877 and \$346,403 represents 19.0% and 18.1% of the Library's total expenses on the full accrual basis, for the years ended June 30, 2008 and 2007, respectively.
- Total expenditures under the modified accrual method of accounting were \$1,996,586 and \$1,836,628 for the years ended June 30, 2008 and 2007, respectively.

The Library's Funds

Our analysis of the Library's funds are included on pages 9 and 10 in the first five columns of the respective statements. The first five columns provide detailed information about the General Fund, Contributions and Memorials Fund, Debt Service Fund, Capital Projects Fund, and the Endowment Fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. All the Library's funds are considered major funds.

The overall fund balance of the Library increased \$51,239 during the year ended June 30, 2008. This represents unspent revenue greater than expenses.

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

Library Budgetary HighlightsRevenues

- The June 30, 2008 General Fund property tax revenues increased by \$74,596 or 4.7% over the prior year fiscal year.
- Total revenues increased by \$60,643 or 3.2% over the June 30, 2007 fiscal year.
- Penal fine revenues increased by \$9,900 or 5% in the current year.
- State aid revenues decreased by \$15,403 or 36% in the current year.
- Charges for services decreased by \$449 or 4.2% in the current year.
- Investment income decreased by \$11,916 or 18% in the current year.
- Other revenue and reimbursements increased by \$4,233 or 46% in the current year.
- The total amount of the sources of revenue other than property tax decreased by \$13,953 or 4.4% from the June 30, 2007 fiscal year.

The June 30, 2008 budgeted revenue for the General Fund was \$1,889,871. The actual audited revenue for the General Fund was \$1,970,966. This is \$81,095 or 4.3% higher than was budgeted.

Expenditures

- The June 30, 2008 General Fund expenditures increased by \$42,419 or 2.4% over the June 30, 2007 fiscal year.
- The largest increase in expenditures was for fringe benefits. Most of the increase was for the payment of \$23,122 to a long time employee who retired in June 2008. Most of this was for a portion of unused accumulated sick leave. This type of expense is rare because there are few employees who have much accumulated sick time who qualify for retirement. There is a reserve fund in place to cover this type of expense.

The June 30, 2008 budgeted expenditures for the General Fund were \$1,889,871. The actual audited General Fund expenditures were \$1,785,449. This is \$104,442 or 5.5% lower than was budgeted.

In 2007-08 the library started the process of migrating to a new Integrated Library Computer System, Millennium by Integrated Interfaces, Inc., to replace the old system, Classic Dynix, which was 13 years old. The large expense to install this new system will continue into the 2008-09 fiscal year.

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$5,016,142 (net of accumulated depreciation) invested in land, building improvements, furniture and equipment, library materials, and construction in progress.

The library purchased property in April 2006 for future additional library parking. A local engineering firm was hired to help the library go through parking lot designs, site plan approval, and get estimates for establishing a parking lot on the vacant land. In the spring of 2007 serious negotiations began between several private and public entities to establish a commuter rail line from Howell to Ann Arbor. This could bring several hundred commuters to downtown Howell every morning and evening. Because the main commuter stop in Howell is expected to be less than 200 feet from the library's vacant lot (where the proposed parking lot will be going). Work on the design and cost for this proposed parking lot was put on hold. In the next year or so, the library staff and board will work with the City of Howell and other entities to design parking in this northwest quadrant of downtown Howell to accommodate commuters, shoppers, as well as library users.

The aging building and grounds systems are causing regular increases in maintenance costs. Reserve funds are in place to help underwrite some of the replacement costs for a number of big-ticket items such as the heating and cooling systems. However, changes in revenues and expenditures in the future will be needed to adequately maintain and improve the infrastructure as well as it has been done in the last 17 years.

The Library's long-term debt activity consists of accumulated compensated employee absences (sick leave) to be paid to eligible employees if they are sick or qualified for retirement.

Next Year's Budget and Millage Rates

The June 30, 2009 General Fund tax revenues are estimated to be flat (estimated increase of \$4,336 or less than ¼%) over the June 30, 2008 audited tax revenues. All other June 30, 2009 revenues are estimated to decrease from the current year audited revenues except for penal fines which is estimated to increase by a modest 1%. Because conservative estimates are used, past history shows that actual revenues are generally higher than the budgeted revenues.

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2008 and
June 30, 2007
(Unaudited)

The June 30, 2009 General Fund expenditures (minus the "Capital Improvement" and "Other" amounts) are budgeted to increase by \$119,213 or 6.7% over the June 30, 2008 audited expenditures. Because estimated expenditures plan for some "worst case scenarios", past history shows that actual expenditures are generally lower than the budgeted expenditures.

The June 30, 2008 millage rate of .6920 mills remains the same for the June 30, 2009 fiscal year.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Kathleen Zaenger, at (517) 546-0720.

HOWELL CARNEGIE DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET ASSETS
JUNE 30, 2008

	General Fund	Contributions and Memorials	Debt Service Fund	Capital Projects	Endowment	Total	Adjustments (Note 9)	Statement of Net Assets
ASSETS								
Cash	\$ 18,536	13,719	-	-	-	32,255	-	32,255
Investments	1,625,310	102,731	255	311,469	252,040	2,301,805	-	2,301,805
Due from other governments	193,063	-	-	-	-	193,063	-	193,063
Prepays	18,045	-	-	-	-	18,045	-	18,045
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	5,016,142	5,016,142
Total Assets	\$ 1,854,954	116,450	255	311,469	252,040	2,545,168	5,016,142	7,561,310
LIABILITIES								
Liabilities:								
Accounts payable	\$ 38,020	17,219	-	28,925	-	82,164	-	82,164
Accrued expenses	49,286	-	-	-	-	49,285	-	49,285
Long-term debt:								
Compensated absences (Note 5)	-	-	-	-	-	-	192,114	192,114
Total Liabilities	85,305	17,219	-	28,925	-	131,449	192,114	323,583
FUND BALANCE/NET ASSETS								
Fund Balances:								
Reserved for:								
Capital additions	-	-	-	-	4,201	4,201	(4,201)	-
Archives, programs and collections	-	57,417	-	-	13,509	70,926	(70,926)	-
Nonexpendable endowments	-	-	-	-	153,106	153,106	(153,106)	-
Debt service	-	-	255	-	-	255	(255)	-
Reserved for other purposes	-	-	-	-	21,407	21,407	(21,407)	-
Unreserved:								
Designated - capital additions	354,723	-	-	-	-	354,723	(354,723)	-
Undesignated reported in:								
General fund	1,414,928	-	-	-	-	1,414,928	(1,414,928)	-
Special revenue funds	-	41,814	-	-	-	41,814	(41,814)	-
Capital project fund	-	-	-	282,544	-	282,544	(282,544)	-
Permanent fund	-	-	-	-	69,817	69,817	(69,817)	-
Total Fund Balances	1,769,649	99,231	255	282,544	262,040	2,413,719	(2,413,719)	-
Total Liabilities and Fund Balances	\$ 1,854,954	116,450	255	311,469	252,040	2,545,168		
Net assets:								
Invested in capital assets							5,016,142	5,016,142
Restricted for:								
Endowments - nonexpendable							153,106	153,106
Endowments - expendable							39,117	39,117
Debt service							255	255
Other purposes							57,417	57,417
Unrestricted							1,971,710	1,971,710
Total net assets							7,237,747	7,237,747

The Notes to Financial Statements are an integral part of this statement.

HOWELL CARNEGIE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE,
EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	General Fund	Contributions and Memorials	Debt Service Fund	Capital Project Equipment	Endowment	Total	Adjustments (Note B)	Statements of Activities
Revenues:								
Property taxes	\$ 1,865,864	-	121	-	-	1,865,785	-	1,865,785
State shared revenue	27,365	-	-	-	-	27,365	-	27,365
Charges for services	10,183	-	-	-	-	10,183	-	10,183
Fines and forfeitures	199,900	-	-	-	-	199,900	-	199,900
Investment income	54,335	3,436	-	13,528	10,302	81,601	-	81,601
Contributions and memorials	-	46,709	-	-	-	46,709	-	46,709
Other revenue	13,519	-	-	-	2,763	16,282	-	16,282
Total General Revenues	1,970,966	50,145	121	13,528	13,065	2,047,825	-	2,047,825
Expenditures:								
Communications	18,070	-	-	-	-	18,070	-	18,070
Contracted services	12,416	-	-	-	-	12,416	-	12,416
Employee benefits	175,881	-	-	-	-	175,881	-	175,881
Insurance	25,337	-	-	-	-	25,337	-	25,337
Membership fees	1,044	-	-	-	-	1,044	-	1,044
Office supplies	7,370	-	-	-	-	7,370	-	7,370
Operating supplies	45,411	1,840	-	-	-	47,251	-	47,251
Other	3,118	-	-	-	-	3,118	-	3,118
Payroll taxes	69,731	-	-	-	-	69,731	1,455	69,731
Printing and publishing	29,086	-	-	-	-	29,086	-	29,086
Professional services	5,275	-	-	1,098	-	6,373	-	6,373
Program materials	276,285	1,494	-	-	-	277,779	(217,987)	59,792
Repairs and maintenance	62,038	-	-	-	-	62,038	-	62,038
Salaries and wages	910,060	-	-	-	-	910,060	(10,441)	899,619
Taxes and chargebacks	5,868	-	685	-	-	6,553	-	6,553
Training and education	20,885	-	-	-	-	20,886	-	20,886
Utilities	100,892	-	-	-	-	100,892	-	100,892
Capital outlay	17,781	39,667	-	166,353	-	223,801	(144,100)	79,701
Depreciation	-	-	-	-	-	-	380,877	380,877
Total Expenditures	1,785,449	43,001	685	167,451	-	1,996,586	9,794	2,006,380
Excess (Deficiency) of Revenues over (under) Expenditures	185,517	7,144	(564)	(153,923)	13,065	51,239	(9,794)	41,445
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	83,646	-	83,646	-	83,646
Operating transfers out	(83,646)	-	-	-	-	(83,646)	-	(83,646)
Total Other Financing Sources (Uses)	(83,646)	-	-	83,646	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources over (under) Expenditures and Other Uses	101,871	7,144	(564)	(70,277)	13,065	51,239	(9,794)	41,445
Fund Balances - Beginning	1,657,778	92,087	819	352,821	248,975	2,362,480	4,833,822	7,196,302
Fund Balances - Ending	\$ 1,759,649	\$ 99,231	\$ 255	\$ 282,544	\$ 262,040	\$ 2,415,719	\$ 4,824,028	\$ 7,237,747

The Notes to Financial Statements are an integral part of this statement.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Howell Carnegie District Library (the Library) was organized in 1988 under the provisions of Public Act 164 of 1955, and is considered a local governmental unit. The Howell Carnegie District Library officially amended its Articles of Incorporation to be known as the Howell Carnegie District Library in March of 2002.

The District Library's borders encompass the Library of Howell and portions of the following townships included in the Howell Public School District in 1988; the Townships of Brighton, Cohoctah, Deerfield, Genoa, Hamburg, Handy, Howell, Tosco, Marion and Oceola. Properties in each governmental unit are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The Library has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit include entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists only of the primary government.

Library- Wide and Fund Financial Statements:

The Library-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Contributions and Memorials Fund* accounts for resources accumulated that are restricted to expenditures identified by the contributor.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Library.

The *Capital Project-Equipment Fund* accounts for the resources and major capital equipment purchases of the Library.

The *Endowment Fund* accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specific library programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Library-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Library has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the Library-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed. The exception to this policy lies in the area of the endowment fund in which available spendable resources have not been appropriated.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments:

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury and agencies, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). There were no such interfund loans outstanding as of year-end. All other outstanding balances between funds are reported as "due to/from other funds".

Capital Assets:

Capital assets, which include buildings, equipment, furniture and fixtures, and materials are reported in the Statement of Net Assets column in the basic financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15 - 50
Equipment	5 - 10
Furniture and fixtures	5 - 20
Materials	3 - 7

Compensated Absences:

The Library allows employees to accumulate unused compensated absences. The Library allows employees up to 720 hours of sick time. Vacation time lapses on the employees' anniversary date one year from the date earned. The Library's liability for compensated absences is included in the government-wide financial statements.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted, on a basis consistent with generally accepted accounting principles (GAAP),

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Concluded)

for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with GAAP, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board. The budget for the General Fund is adopted on a categorical level, and the budgets for Special Revenue Funds are adopted on a fund basis.

Note 3. DEPOSITS AND INVESTMENTS

	Cash and Cash Equivalents	Investments	Total
Statement of Net Assets			
Deposits	\$ 32,000	1,209,195	1,241,195
Petty cash	255	-	255
Commercial paper	-	1,092,610	1,092,610
Total	\$ <u>32,255</u>	<u>2,301,805</u>	<u>2,334,060</u>

Michigan law authorized the Library to deposit and invest in:

1. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Note 3. DEPOSITS AND INVESTMENTS (Continued)

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligations repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The library chooses to disclose its investments by specifically identifying each. As of year-end, the Library had the following deposits and investments.

<u>Deposit/ Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits and money markets	N/A	\$1,241,195	N/A
American Express commercial paper	<1 year	590,480	A-1
General Electric commercial paper	<1 year	<u>502,130</u>	AAA
		<u>\$2,333,805</u>	

Investment and Deposit Risk

Interest Rate Risk - State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Library's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments, as applicable, are noted above.

Credit Risk - State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library's

Note 3. DEPOSITS AND INVESTMENTS (Concluded)

investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$1,243,669. Of that amount, \$37,047 was covered by federal depository insurance and \$1,206,622 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit risk - Investments. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. The Library's total investments of \$1,092,610 are in short term commercial paper rated A-1 by a national rating agency. Of this amount, \$500,000 was covered by Securities Investor Protection Corporation insurance and \$592,610 was exposed to custodial credit risk because it was uninsured and uncollateralized. These investments are in short-term investment pools that are registered with Securities Exchange Commission (the "SEC"). The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The short-term investments are not required to be classified according to custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of State law on concentration of credit risk. All investments held at year-end are reported above.

Note 4. RECEIVABLES

Receivables as of year-end for the Library's individual major funds are considered 100% collectable and are to be collected within one year. Accordingly, no allowance for uncollectible receivables has been established.

Note 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not depreciated:				
Land	\$ 559,655	-	-	559,655
Construction in progress	<u>25,600</u>	<u>-</u>	<u>-</u>	<u>25,600</u>
Total capital assets not being depreciated	<u>585,255</u>	<u>-</u>	<u>-</u>	<u>585,255</u>
Capital assets being depreciated:				
Building and improvements	4,493,059	-	-	4,493,059
Equipment	886,726	124,554	(51,024)	960,256
Furniture and fixtures	583,334	19,547	(1,300)	601,581
Materials	<u>1,319,487</u>	<u>217,996</u>	<u>(56,934)</u>	<u>1,480,549</u>
Total capital assets being depreciated	<u>7,282,606</u>	<u>362,097</u>	<u>(109,258)</u>	<u>7,535,445</u>
Less accumulated depreciation				
Buildings and improvements	(984,967)	(94,139)	-	(1,079,106)
Equipment	(767,739)	(40,229)	49,825	(758,143)
Furniture and fixtures	(270,449)	(36,769)	1,044	(306,174)
Materials	<u>(808,329)</u>	<u>(209,740)</u>	<u>56,934</u>	<u>(961,135)</u>
Total accumulated depreciation	<u>(2,831,484)</u>	<u>(380,877)</u>	<u>107,803</u>	<u>(3,104,558)</u>
Total capital assets being depreciated, net	<u>4,451,122</u>	<u>(18,780)</u>	<u>(1,455)</u>	<u>4,430,887</u>
Governmental activities capital assets, net	<u>\$5,036,377</u>	<u>(18,780)</u>	<u>(1,455)</u>	<u>5,016,142</u>

Note 6. ACCUMULATED ABSENCES

Compensated absences are typically liquidated through sources from the general fund.

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Compensated absences	\$ <u>202,555</u>	<u>-</u>	<u>10,441</u>	<u>192,114</u>

Note 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Library has purchased commercial insurance for comprehensive liability, motor vehicle physical damage and property and crime coverage through the Michigan Municipal League (MML). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

All claims of the Library, after meeting the deductible requirements, are paid by MML. MML is responsible for any claims in excess of deductible amounts up to a maximum limit of \$5,000,000. The Library's policy is to recognize the annual premium cost as expenditures. The expenditures for the year ended June 30, 2008 were \$25,337.

The Library is also a member of the Michigan Municipal Workers Compensation Fund. Premiums from participants are combined to provide all members with coverage for claims. The premiums and interest thereon are used to pay claims, administrative expenses and to purchase reinsurance to protect the fund from exceptionally large losses. In the event of a deficit in a fund year, assessments could be made against the members. No such assessments have been made against the Library in any of the past three fiscal years. The Library's policy is to recognize the annual premium cost as expenditures. The expenditures for the year ended June 30, 2008 were \$1,367.

Note 8. DEFINED BENEFIT PENSION PLAN

The following brief description of the Library's Employee's Retirement Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Note 8. DEFINED BENEFIT PENSION PLAN (Continued)

A. Plan Description

The Library's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS.

The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling 800-767-6377.

B. Eligibility

The Plan provides eligible participants with retirement benefits. All retirement benefits fully vest at age 60 with ten years of credited service. Employees may retire with reduced benefits at age 55 with 15 years of credited service and age 50 with 25 years of credited service. Annual retirement benefits are payable monthly in an amount equal to 2.0% of the retirees final average compensation.

At December 31, 2007 the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits, terminated vested not receiving benefits and long-term disabled employees	3
Current employees	<u>10</u>
Total	<u>13</u>

C. Required Contributions

The Library is required to contribute at an actuarially determined rate, which was 9.34% for the year ended June 30, 2008. Employees are currently not required to contribute to the Plan. The contribution requirements of the Library are established, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

Note 8. DEFINED BENEFIT PENSION PLAN (Continued)

D. Summary of Significant Accounting Policies

1. Method used to value assets

The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 5-year period at the rate of 20% per year.

2. Annual pension cost and net pension obligations

The Library's annual pension cost and net pension obligation to the pension plan for the current year was as follows:

	June 30, 2008
Annual required contribution/pension cost	\$ 37,380
Contribution made	<u>(37,380)</u>
Increase(decrease) in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	\$ <u>-</u>

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. Benefits are funded on a level percentage of earnings from each participant's date of participation to assumed retirement date. The effect of plan improvements and changes in assumptions are amortized over 30 years. The actuarial assumptions included (a) 8% investment rate of return on the investment, compounded annually and (b) projected salary increases of 4.5% per year compounded annually. There is no assumption for cost of living or inflationary adjustments. Concentrations of investments in a single organization of 5% or more cannot be determined due to the pooled nature of the fund.

Note 8. DEFINED BENEFIT PENSION PLAN (Concluded)

E. Trend Information

<u>Three Year Trend Information</u>			
<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/2006	37,650	100%	-
06/30/2007	33,480	100%	-
06/30/2008	37,380	100%	-

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

Total Fund Balance - Modified Accrual Basis \$2,413,719

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	5,016,142
Compensated absences are included as a liability	<u>(192,114)</u>

Net Assets of General Fund - Full Accrual Basis \$7,237,747

Net Change in Fund Balances - Modified Accrual Basis \$ 51,239

Amounts reported in the statement of activities

are different because:

Capital outlays are reported as expenditures in statement of revenue, expenditures, and changes in fund balance, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to
GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Library books and materials	217,997
Maintenance, supplies and capital outlay	144,100
Accumulated benefits adjustment	10,441
Loss on disposal of assets	(1,455)
Depreciation	<u>(380,877)</u>
Change in Net Assets of General Fund -	
Full Accrual Basis	\$ <u>41,445</u>

HOWELL CARNEGIE DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,630,000	1,630,000	1,665,664	35,664
State shared revenue	7,500	7,500	27,365	19,865
Charges for services	10,200	10,200	10,183	(17)
Fines and forfeitures	181,000	181,000	199,900	18,900
Investment income	58,000	58,000	54,335	(3,665)
Other revenue	3,171	3,171	13,519	10,348
Total Revenues	<u>1,889,871</u>	<u>1,889,871</u>	<u>1,970,966</u>	<u>81,095</u>
Expenditures				
Contracted services	32,500	32,500	17,691	14,809
Employee benefits	159,500	176,500	175,881	619
Payroll taxes	69,619	69,619	69,731	(112)
Program materials	275,850	275,850	276,285	(435)
Repairs and maintenance	210,650	210,650	188,367	22,283
Salaries and wages	909,900	909,900	910,060	(160)
Supplies	172,000	155,000	129,653	25,347
Capital outlay	59,852	59,852	17,781	42,071
Total Expenditures	<u>1,889,871</u>	<u>1,889,871</u>	<u>1,785,449</u>	<u>104,422</u>
Excess of Revenues Over Expenditures	-	-	185,517	185,517
Other Financing Uses				
Operating transfers out	-	(24,000)	(83,646)	(59,646)
Excess of Revenues over (under) Expenditures and Other Uses	-	(24,000)	101,871	125,871
Fund Balance - Beginning	<u>1,667,778</u>	<u>1,667,778</u>	<u>1,667,778</u>	-
Fund Balance - Ending	<u>\$ 1,867,778</u>	<u>1,643,778</u>	<u>1,769,649</u>	<u>125,871</u>

HOWELL CARNEGIE DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

CONTRIBUTIONS AND MEMORIALS
YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Investment income	\$ 2,750	2,750	3,436	686
Contributions and memorials	32,900	32,900	46,709	13,809
Other revenue	150	150	-	(150)
Total Revenues	<u>33,050</u>	<u>33,050</u>	<u>46,709</u>	<u>13,659</u>
Expenditures				
Program materials	3,700	3,700	3,334	366
Capital outlay	32,100	43,100	39,667	3,433
Total Expenditures	<u>35,800</u>	<u>46,800</u>	<u>43,001</u>	<u>3,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,750)	(13,750)	3,708	17,458
Fund Balance - Beginning	<u>92,087</u>	<u>92,087</u>	<u>92,087</u>	-
Fund Balance - Ending	\$ <u>89,337</u>	<u>78,337</u>	<u>95,795</u>	<u>17,458</u>

HOWELL CARNEGIE DISTRICT LIBRARY

REQUIRED SUPPLEMENTARY INFORMATION
UNAUDITED

DEFINED BENEFIT PENSION PLAN TREND INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation (Date)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	473,470	660,975	187,505	72%	360,586	52%
12/31/04	530,856	636,295	105,439	83%	351,463	30%
12/31/05	601,542	754,427	152,885	80%	390,422	39%
12/31/06	678,556	771,969	93,413	88%	388,891	24%
12/31/07	761,634	869,510	107,876	88%	431,073	25%

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA

To the Board of Directors
Howell Carnegie District Library
Howell, Michigan

In planning and performing our audit of the financial statements of the Howell Carnegie District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Howell Carnegie District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control that we consider to be a significant deficiency.

During the audit, we had conversations with key finance personnel regarding the calculation of depreciation on the entity's depreciable assets. The recalculation of the depreciation resulted in an adjustment that we consider to be significant to the financial statements.

The entity's bookkeeper is a competent individual who has a good understanding of the operations and an impressive grasp of its challenges. She also has a solid accounting background; however, we recommend the following:

- The implementation of a new process or purchase of commercially available depreciation software that can accurately calculate depreciation based on the date in service. The new software will have added benefits to allow for tracking assets from year to year, disposing of assets, and maintaining accumulated depreciation.

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Howell Carnegie District Library in a separate letter dated September 5, 2008.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Broderick, Wagner & Co., P.C.

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

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DAVID L. BREDERNITZ, CPA

To the Board of Trustees and
the Director of the
Howell Carnegie District Library
Howell, Michigan

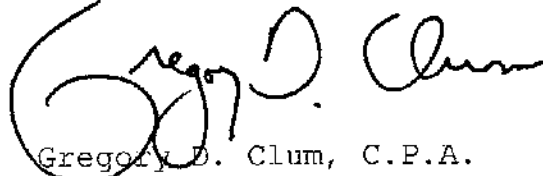
In planning and performing our audit of the financial statements of the Howell Carnegie District Library for the year ended June 30, 2008, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. A separate report dated September 5, 2008, contains our report on a significant deficiency which is not considered a material weakness in the Organization's internal control. This letter does not affect our report dated September 5, 2008, on the financial statements of Howell Carnegie District Library.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

BREDERNITZ, WAGNER & CO., P.C.



Gregory D. Clum, C.P.A.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. During the audit it was noted that the bank listed a person as being an authorized signer, when in fact that person is no longer affiliated with the organization.

Only current authorized employees should be responsible for such an important control over cash disbursements. In an effort to maintain strong controls, we suggest that management annually review the authorized check signers on record with the bank and make any necessary updates as soon as possible.

It is acknowledged that the organization felt it had taken proper steps to ensure the proper people are listed at the bank as authorized signers, however, the confirmation process used during the audit indicated the discrepancy.

Status: Implemented.

2. During our test of deposits we found that deposits are not being made on a timely basis.

It is important that the receipt of all money by Library personnel be deposited in a timely manner. Consideration should be given to adopting a policy that governs how often deposits should be made and the procedures to be followed. This will help reduce the possibility of theft and will safeguard cash receipted by library personnel.

Status: During the current audit, this was again noted as occurring in a least one instance of our testing.

3. In reviewing the checking account, it was noted that outstanding checks over 60 days are listed on the bank reconciliation.

Outstanding checks that are more than 60 days old should be canceled as a part of control over cash disbursements. These outstanding checks should be investigated, adjusted for separately, and payment stopped at the bank, as considered necessary.

Status: This was noted again as occurring in the current audit.

CURRENT YEAR RECOMMENDATIONS:

1. During our testing of the accrued sick and vacation account, it was noted that the rate used for each employee is the rate that is effective the first day of the new fiscal year.

Proper tracking of accrued sick and vacation is an important factor in determining the proper long-term liability of the entity. Using a rate that is effective for the pay period after the year-end will result in an overstatement of accrued sick and vacation. So that accrued sick and vacation is accurately stated, we suggest the implementation of a process that uses the correct pay rate in effect at year end to calculate accrued leave.